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TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business Facilitation and Development
Expert Meeting on Government and Private Sector Roles and Interactions for SME Development
Geneva, 23 July 1997
Agenda item 3

THE RESPECTIVE ROLES OF GOVERNMENT AND THE PRIVATE SECTOR, INCLUDING NGOs, AND THE INTERACTIONS BETWEEN THEM IN CREATING A COHERENT POLICY FRAMEWORK AND SETTING UP EFFECTIVE SUPPORT MEASURES AND STRUCTURES FOR THE DEVELOPMENT OF SMEs AND MICRO-ENTERPRISES, IN PARTICULAR THOSE IN LEAST DEVELOPED COUNTRIES

Recommendations of the Expert Meeting to the Commission on Enterprise, Business Facilitation and Development

Preamble

1. The Expert Meeting stressed the important contribution SMEs can make to the effective functioning of the market economy and to employment, growth and development. In the light of their deliberations and exchange of experiences, the experts made the following recommendations to the Commission on Enterprise, Business Facilitation and Development.

I. Channels of government-private sector dialogue

2. Since dialogue is an interactive process, not an event, it must be structured, relevant, transparent, and representative, and it should have an effective influence on both policy formulation and implementation; effective dialogue requires independent and responsible partners; and effective dialogue must occur at all appropriate levels: federal, regional, local, sectoral, etc.

3. Recommendations to Governments:

(i) To advance the dialogue between government and the SME sector, the experts recommended that all levels of government - federal or central, state or provincial, and local, municipal or regional - participate fully;

(ii) In recognition of the different requirements and interests of large and small business, the experts recommended that SMEs should be encouraged, and even assisted by Governments, to organize their own representation in the dialogue, having regard for and reflecting the full range of diversity among them;

(iii) Governments should develop effective mechanisms for consensus-building between all the relevant actors (Governments, implementing agencies, representatives of SMES);

(iv) Governments should help to strengthen the capacity of representative bodies, without compromising their independence, by providing government funding for specific services such as research on behalf of their members, including research by academics on SME topics and training;

(v) Where SME organizations are fragmented, Governments should help them to strengthen their capacity for effective representation by encouraging the creation of an umbrella organization or committee to harmonize their voices in dialogue with government. Where there is a problem of under-representation of SME interests in business representative bodies which encompass members of all sizes, Governments should encourage the creation of a specific SME committee within the wider organization;

(vi) Governments (in particular local governments) should collect information regarding the SMEs within their territories, including their contribution to the economy and job creation.

II. Policy coherence

Recommendations to Governments

4. Based on the assessment of lessons learned from past experience, the experts recommended that, in the interest of achieving stability and coherence in macro and micro policies for SME promotion, Governments should identify

their appropriate role and activities to better support SMEs; they should adopt the principle of subsidiarity, that is identify who can do what best and at what level; in this context it might be necessary to develop the necessary legislation for non-state service providers. Governments should undertake needs assessment and develop tools to evaluate impacts of policies and programmes (including support mechanisms);

5. The experts were of the opinion that policy coherence must occur in at least five areas:

(i) There must be coherence between macroeconomic conditions and micro policies favouring SMEs, because macroeconomic instability not only affects SMEs more but can also destroy whatever impact SME programmes could have;

(ii) Policy coherence is needed among all public and private sector bodies involved in SME support services in the country because fragmented policies and programmes waste scarce resources;

(iii) There must be policy coherence among all levels of government, since what is achieved at the federal level might be undermined at a lower level and vice versa;

(iv) There must be stability, clarity and coherence in implementation;

(v) There must be coherence between policies to promote internal growth of SMEs while respecting external obligations and commitments such as WTO agreements.

6. SME issues should be integrated into overall industrial policy. However, Governments should also have a national strategy to redress biases against SMEs by addressing their specific needs such as access to a range of business services which large firms commonly have internally.

III. SME support measures and agencies

Recommendations to Governments

7. The experts recommended that support measures and agencies, whether provided or organized by the Government or to private sector, should be needs-based or demand-driven. They further recommended the use of surveys to identify the needs of target groups and to evaluate the impact of these measures, programmes and agencies.

8. The experts regarded it as critical that Governments adopt the principle of subsidiarity in designing efficient support measures. First, the provision of support measures should be the responsibility of all players, Governments, business associations, and NGOs. A coordination agency should be created which is independent, business-oriented, run by qualified and adequately remunerated staff, and sustainable. Second, support measures should be decentralized as much as possible.

9. The experts recommended that Governments facilitate networking among service providers to contribute to the efficiency and effectiveness of the support infrastructure at the federal, regional and local level and provide government assistance for research on marketing, trade promotion activities and technology diffusion programmes.

IV. Recommendations to UNCTAD (all areas)

10. The experts recommended that the importance of SME development be put on the global agenda and that UNCTAD should introduce the topic of SMEs in the General Assembly so that all Governments appreciate the contribution of SMEs and discuss ways to promote them.

11. The experts recommended that UNCTAD review and report on case studies on effective mechanisms to promote dialogue, with particular reference to mechanisms for achieving balance, transparency, integrity of representation, effective impact on policy formulation and implementation.

12. The experts recommended that UNCTAD should undertake a survey of tools available to assess needs and to evaluate impacts of policies and support programmes and disseminate them among interested countries.

13. The experts recommended that UNCTAD review the types of policies developed at the federal and local level in different countries and prepare a report. It should also identify what new policies could be developed to support SMEs in more efficient ways (for example, new methods to facilitate better access to credit), bearing in mind that these policies have to be consistent with international obligations, i.e. WTO agreements. UNCTAD should consider designing "pilot" projects in strategic areas to help disseminate (especially to LDCs) successful experiences which can be replicated.

14. UNCTAD should review the coherence between trade and micro policies and its impact on SMEs. In particular, it should identify whether the increased failure rates of SMEs result from a lack of competitive advantage or from a lack

of adequate business support mechanisms (whether public or private) and/or underdevelopment of business service infrastructure.

15. Given the importance of increasing the competitiveness of SMEs, the experts recommended that UNCTAD extend its operational programmes, such as TRAINFORTRADE, Trade Points, and EMPRETEC 21, to more countries and enhance relevant transit programmes.

16. UNCTAD should promote an exchange of views among practising experts in business support services, i.e., on how to facilitate more effective SME marketing activities by increasing information about trading opportunities and national trade regulations via trade fairs, trade exhibitions, trade data bases, etc.

17. UNCTAD should study how best to make information accessible to SMEs about the availability of support services and how support agencies can better market their services. This study should review mechanisms for financing of support agencies and support services, including their sustainability, cost-recovery and pricing issues and the role of price in responding to SME needs.

18. UNCTAD should search for synergy with other international organizations, taking into account their work on SMEs.